

**Introduced by Senators Leno and Pavley**

February 19, 2016

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An act to add Section 38572 to the Health and Safety Code, and to add Section 747.2 to the Public Utilities Code, relating to natural gas.

**LEGISLATIVE COUNSEL'S DIGEST**

SB 1441, as introduced, Leno. Natural gas: vented and fugitive emissions.

(1) The California Global Warming Solutions Act of 2006 designates the State Air Resources Board as the state agency charged with monitoring and regulating sources of emissions of greenhouse gases. The act requires the board to adopt greenhouse gas emission limits and emission reduction measures by regulation, and authorizes the state board to include the use of market-based compliance mechanisms in its implementing regulations to achieve those emissions goals.

This bill would require the state board, in regulations implementing a market-based compliance mechanism, to include vented emissions and fugitive emissions of natural gas as counting against the compliance obligation of certain covered natural-gas-related entities under the mechanism.

(2) Under existing law, the Public Utilities Commission has regulatory authority over public utilities, including gas corporations, as defined. Existing law authorizes the commission to fix the rates and charges for every public utility and requires that those rates and charges be just and reasonable.

This bill would, in establishing rates for gas corporations, prohibit the commission from considering systemic natural gas losses in the form of vented or fugitive emissions occurring during the injection, storage, transmission, or distribution of the natural gas.

Vote: majority. Appropriation: no. Fiscal committee: yes.  
State-mandated local program: no.

*The people of the State of California do enact as follows:*

1 SECTION 1. In enacting this act, it is the intent of the  
2 Legislature to create incentives to reduce or eliminate vented  
3 emissions and fugitive emissions of natural gas.

4 SEC. 2. Section 38572 is added to the Health and Safety Code,  
5 to read:

6 38572. (a) For purposes of this section, the following  
7 definitions apply:

8 (1) "Fugitive emissions" has the same meaning as set forth in  
9 Section 39023.3.

10 (2) "Vented emissions" means intentional or designed releases  
11 of natural gas or hydrocarbon gas, not including stationary  
12 combustion flue gas, including process designed flow to the  
13 atmosphere through seals or vent pipes, equipment blowdown for  
14 maintenance, and direct venting of gas used to power equipment,  
15 such as pneumatic devices.

16 (b) In regulations implementing a market-based compliance  
17 mechanism pursuant to this part, the state board shall include  
18 vented or fugitive emissions of natural gas as counting against the  
19 compliance obligation of covered entities engaged in the extraction,  
20 distribution, or transmission of natural gas under the mechanism.

21 SEC. 3. Section 747.2 is added to the Public Utilities Code, to  
22 read:

23 747.2. (a) For purposes of this section, the following  
24 definitions apply:

25 (1) "Fugitive emissions" has the same meaning as set forth in  
26 Section 39023.3 of the Health and Safety Code.

27 (2) "Vented emissions" means intentional or designed releases  
28 of natural gas or hydrocarbon gas, not including stationary  
29 combustion flue gas, including process designed flow to the  
30 atmosphere through seals or vent pipes, equipment blowdown for  
31 maintenance, and direct venting of gas used to power equipment,  
32 such as pneumatic devices.

33 (b) In establishing rates for gas corporations, the commission  
34 shall not consider the systemic natural gas losses in the form of

1 fugitive or vented emissions occurring during the injection, storage,  
2 transmission, or distribution of the natural gas.

3 (c) (1) This section does not prohibit gas corporations from  
4 using ratepayer funds to repair systemic natural gas leaks or to  
5 improve industry practices to reduce or eliminate vented or fugitive  
6 emissions.

7 (2) This section does not prohibit gas corporations from  
8 recovering their costs incurred in compliance with regulations  
9 adopted pursuant to Section 38572 of the Health and Safety Code.

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